DIVISIONS
ENERGY
GAS AND OIL
GEOLOGY AND MINERAL RESOURCES
MINED LAND RECLAMATION
MINERAL MINING
MINES
ADMINISTRATION

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Request for Unsealed Proposals for loans to finance energy efficiency and renewable energy projects and programs

Specific Authority: The Division of Energy of the Virginia Department of Mines, Minerals and Energy (DMME) serves as the state energy office and is funded in part under the federal State Energy Program (SEP), which is authorized by the Energy Policy and Conservation Act, as amended (42 U.S.C. § 6321 et seq.). DMME also receives federal funds from the American Recovery and Reinvestment Act (ARRA) for SEP programs, projects and activities. The funds to be used for this loan program originated under SEP ARRA Grant DE-EE0000208, CFDA 81.041. Additional authority derives from 31 USC 6304 and 10 USC 2358; PL 95-91, DOE Organization Act, PL 111-5 American Recovery and Reinvestment Act of 2009; and PL 109-58 Energy Policy Act of 2005.

Request Issued By: Virginia Department of Mines, Minerals and Energy (DMME)

Issuing Date: December 5, 2011

Proposals Due: Proposals shall be received at the address identified below. DMME will open and review proposals as they are received. No proposals shall be accepted after 4 p.m. January 18, 2012. Any proposals received after 4:00 p.m. on January 18, 2012 will be rejected in their entirety, and all electronic copies received and associated with late proposals will be deleted without being read. DMME reserves the right to reject any and all proposals, at any time, whenever such is in the best interest of the Commonwealth of Virginia.

Energize Virginia: A Revolving Loan Fund

The Virginia Department of Mines, Minerals and Energy (DMME) is pleased to offer the first round of loans from a revolving loan fund for qualifying energy efficiency and renewable energy projects and programs. DMME seeks proposals that can close to loan on or before April 30, 2012.

Applicants must be Virginia entities. Eligible applicants are limited to state and local governments and authorities; investor-owned utilities; electric cooperatives; municipal utilities; and public bodies that received DMME grants for energy projects in 2010 or 2011 through the American Recovery and Reinvestment Act.

DMME will evaluate proposals for energy projects and programs to be financed with loans from the fund. Preliminary awards will be made in the amount of approximately $6,000,000 contingent of the projects continued eligibility and ability to close a loan agreement in a timely manner. DMME will prepare a waiting list of projects. The waiting list will be used to replace any proposals selected for loan award that are not able to negotiate to successful loan close and to award additional loans if additional loan funds become available.

DMME has allocated $6,000,000 of American Recovery and Reinvestment Act (ARRA) State Energy Program (SEP) funds to establish Energize Virginia: A Revolving Loan Fund. DMME intends to capitalize and administer the Fund according to the guidelines in the U.S. Department of Energy (DOE) SEP Program Notice 10-008C, revised March 14, 2011. Notice 10-008C is available here: http://www1.eere.energy.gov/wip/pdfs/sep_financing_guidance_2011-03-15.pdf. Loans must be used to support activities that are eligible under SEP as authorized by the Energy Policy and Conservation Act and enumerated in implementing regulation 10 CFR 420.17 and 420.18 (appendix A), and projects must conform to the requirements imposed by ARRA, most of which are described beginning on Page 5.

Eligible Uses: Loans may be used to finance renewable energy generation systems and energy conservation equipment, technology, controls, measures and programs, including those that advance the goals of Governor Bob McDonnell's Executive Order 19, Conservation and Efficiency in the Operation of State Government. Also eligible are differential costs of alternative fuel and advanced technology vehicles, alternative fuel refueling equipment, and vehicle energy conservation equipment, technology, controls, measures and programs, including those that advance the goals of Executive Order 36, Moving Toward Alternative Fuel Solutions for State-Owned Vehicles. Both Executive Orders are available here: http://www.governor.virginia.gov/PolicyOffice/ExecutiveOrders/

Goals of Energize Virginia:

- Conserve energy
- Create new renewable energy generation capacity
- Support economic development and create jobs in Virginia
- Improve the environment and advance Virginia's energy security.
- Reduce recurring utility costs for businesses, government and others
- Provide a low-interest financing program that will continue beyond the April 30, 2012 ARRA SEP program cycle.

Scope of the Fund: DMME intends to consider a diverse portfolio of energy conservation and renewable energy system loans that are responsive to diverse needs, are supportive of all regions in the Commonwealth, and are adaptable to dynamic economic and market conditions. The first round of the Fund will focus on loans to organizations such as utilities and government agencies, in part to reduce financial risk and simplify administration of the fund. Loan amounts are expected to fall into a range between $1,000,000 and $5,000,000, but may range from a minimum of $150,000 to a maximum of $6,000,000. The application fee for successful loan requests is 0.1 percent (one-tenth of one percent). The fee would be $500 for a $500,000 loan, for example. DMME will offer a 1.9 percent annual interest rate.

Application Requirements: Each application must include, at a minimum, the following components, each of which will be incorporated as an attachment to the loan award agreement between DMME and the loan recipient:

1. **Project Description** that is signed by a person authorized to bind the organization to a contract for a loan. The Project Description should fully detail the scope of the project and provide information that is comprehensive and detailed enough to allow DMME to apply the evaluation criteria listed below. The project description should include a preliminary energy audit for energy conservation projects with projected return on investment (ROI). Renewable energy projects should include a calculated ROI. There is no page limitation, but the Project Description, if longer than 10 pages, should include an executive summary that is not longer than 10 pages.
2. **Project Budget** showing sources and uses of loan proceeds and other funds
3. **Repayment Plan** that describes how the borrower plans to repay the loan, what primary sources of funds will be used and what alternative sources of repayment funds would be accessible to the borrower.
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Evaluation and Ranking Criteria: DMME will evaluate proposals according to the following criteria, most which should be addressed specifically and item by item as presented below in the Project Description (Item 10 is an evaluation criteria, but is not to be addressed specifically by the borrower):

1. Magnitude of economic benefits, including job creation or preservation.
2. Business case for the project and demonstrated ability to repay the loan.
3. Readiness to proceed (“Shovel-readiness”). Explain why there is a high level of confidence that a loan can close and the project can begin by April 30, 2010. Address each of the following:
   - Degree to which project preparatory work is complete or feasible to complete quickly
   - Whether any permits and approvals that are needed can realistically be obtained quickly and how that will be accomplished.
   - Whether all required additional financing is in place and approved.
   - Whether a highly qualified and experienced project team led by a single person with a high level of authority to direct and manage the project is in place.
   - Whether risks that could delay the project and threaten the ability to close the loan by April 30, 2012 have been identified and how these risks have been mitigated.
4. Capability of project partners and the project manager. How qualified and experienced are members of the team and the project leader?
5. What is the project’s value as a demonstration of technology or best practices, or as an educational tool and how does the proposer expect to maximize this value?

6. What are the projected benefits in energy conservation or generation, in energy units and dollars annually? How were the benefits calculated?
7. Geographic balance. Where is the project located, and what are the boundaries of its economic impacts?
8. Project and technology diversity. Explain the technology or energy conservation measures and whether the project has any unusual or unique characteristics.
9. Description of how this project pertains to the goals of Energize Virginia.
10. (Quality of Project Description, Project Budget and Repayment Plan. This is not to be addressed by the proposer. However, DMME reviewers will assess "quality" on a comparative basis, considering how a proposal's level of detail, completeness, clarity and professionalism compares to the other proposals.)

Proposal Process: The borrower must submit **1 original paper copy** of the proposal with original signature, **and** a complete **electronic copy** of the entire proposal and attachments, to be submitted via email.

Proposals should be mailed (postmarked by January 18, 2012) or hand-delivered by 4:00 p.m. to:

Al Christopher
Virginia Department of Mines, Minerals and Energy
Washington Building/8TH Floor
1100 Bank Street
Richmond, VA 23219

Electronic copies can be emailed to:

Al.christopher@dmme.virginia.gov

General Questions: Please direct inquiries to:

Al Christopher
VA Department of Mines, Minerals and Energy
Washington Building/8th Floor
1100 Bank Street
Richmond, VA 23219
804-692-3216

Federal Requirements: Generally, the federal funds used to capitalize this revolving loan fund maintain their federal character in perpetuity. As a result, federal requirements that apply to the funds, such as the National Environmental Protection Act (NEPA) and the National Historic Preservation Act (NHPA), would be applicable at each revolution of the RLF. Federal requirements that apply to Recovery Act funds, such as the Davis-Bacon Act (DBA) requirements, Buy American provision requirements, and Recovery Act reporting requirements also are applicable.

Reporting Requirements: Pursuant to Section 1512 of Title XV of the American Recovery and Reinvestment Act (ARRA), all grant recipients are required to report to DMME on the activities, expenditures, and jobs funded under ARRA-funded projects. DMME submits these reports to the U.S. Department of Energy (DOE), electronically, through FederalReporting.gov and the PAGE on-line system, respectively.

Monthly and quarterly reporting of expenditures and jobs directly funded is a requirement of the program that capitalized the Fund. Sub-recipients must report to DMME on the number of hours worked that were paid from Recovery Act and non-federal funds, and outlay expenditures of Recovery Act and non-federal funds, for a number of programmatic metric areas. Process Metrics activities (e.g., number of buildings retrofitted by sector, number and total capacity of solar/wind systems installed, reduction in energy source consumption, etc.) are also reported on a monthly and quarterly basis to DMME.

Reporting also is required to ensure compliance if a project receiving loan funds is covered by provisions under the Davis-Bacon, Buy American, National Environmental Policy or Historic Preservation Acts. Project-specific compliance and reporting requirements will be included in terms and conditions of contracts negotiated between DMME and the successful loan applicants. DMME will consult with the U.S. Department of Energy, the loan applicant and other appropriate parties to design projects and loan agreements that minimize compliance and reporting burdens.

Davis Bacon Act (DBA)

Projects that receive *Energize Virginia* loans are subject to the prevailing wage requirements under the Davis Bacon Act. The DBA requires all contractors and subcontractors to pay laborers and mechanics employed on a covered contract wages and fringe benefits determined by the Secretary of Labor to be prevailing for corresponding classes of employees engaged on similar projects in the locality. Standard clauses and a listing of applicable prevailing wages will be provided in the final loan agreement and must be included in any contract or sub-contract paid for through the *Energize Virginia* loan funds. Prevailing wage rates can be found at this web site: http://www.wdol.gov/.

National Environmental Protection Act (NEPA)

The prospective project owner will be responsible for conformance with the National Environmental Protection Act as it may apply to a proposed project. Typically, certain uses of loan proceeds are granted compliance through Categorical Exclusions, where other uses (larger projects with environmental impacts, such as cogeneration projects that exceed certain minimum size thresholds) will require dedicated NEPA review by the DOE.

National Historic Preservation Act (NHPA)

Properties (e.g., sites, buildings, structures, objects) of historic, archeological, or architectural significance designated by Federal, state, or local governments or property eligible for listing on the National Register of Historic Places, may be subject to additional compliance review to ensure conformance with the NHPA.

Additional Support

If you have questions regarding the loan application process, please contact Al Christopher, Director – Energy Division, Virginia Department of Mines, Minerals and Energy by calling 804-692-3216 or by e-mailing him at al.christopher@dmme.virginia.gov.

Appendix A: 10 CFR 420.17 and 420.18

Sec. 420.17 Optional elements of State Energy Program plans.
(a) Other appropriate activities or programs may be included in the State plan. These activities may include, but are not limited to, the following:
(1) Program activities of public education to promote energy efficiency, renewable energy, and alternative transportation fuels;
(2) Program activities to increase transportation energy efficiency, including programs to accelerate the use of alternative transportation fuels for government vehicles, fleet vehicles, taxis, mass transit, and privately owned vehicles;
(3) Program activities for financing energy efficiency measures and renewable energy measures—
(i) Which may include loan programs and performance contracting programs for leveraging of additional public- and private-sector funds and program activities which allow rebates, grants, or other incentives for the purchase of energy efficiency measures and renewable energy measures; or
(ii) In addition to or in lieu of program activities described in paragraph (a)(3)(i) of this section, which may be used in connection with public or nonprofit buildings owned and operated by a State, a political subdivision of a State or an agency or instrumentality of a State, or an organization exempt from

taxation under section 501(c)(3) of the Internal Revenue Code of 1986 including public and private nonprofit schools and hospitals, and local government buildings;

(4) Program activities for encouraging and for carrying out energy audits with respect to buildings and industrial facilities (including industrial processes) within the State;

(5) Program activities to promote the adoption of integrated energy plans which provide for:

(i) Periodic evaluation of a State's energy needs, available energy resources (including greater energy efficiency), and energy costs; and

(ii) Utilization of adequate and reliable energy supplies, including greater energy efficiency, that meet applicable safety, environmental, and policy requirements at the lowest cost;

(6) Program activities to promote energy efficiency in residential housing, such as:

(i) Program activities for development and promotion of energy efficiency rating systems for newly constructed housing and existing housing so that consumers can compare the energy efficiency of different housing; and

(ii) Program activities for the adoption of incentives for builders, utilities, and mortgage lenders to build, service, or finance energy efficient housing;

(7) Program activities to identify unfair or deceptive acts or practices which relate to the implementation of energy efficiency measures and renewable energy measures and to educate consumers concerning such acts or practices;

(8) Program activities to modify patterns of energy consumption so as to reduce peak demands for energy and improve the efficiency of energy supply systems, including electricity supply systems;

(9) Program activities to promote energy efficiency as an integral component of economic development planning conducted by State, local, or other governmental entities or by energy utilities;

(10) Program activities (enlisting appropriate trade and professional organizations in the development and financing of such programs) to provide training and education (including, if appropriate, training workshops, practice manuals, and testing for each area of energy efficiency technology) to building designers and contractors involved in building design and construction or in the sale, installation, and maintenance of energy systems and equipment to promote building energy efficiency;

(11) Program activities for the development of building retrofit standards and regulations, including retrofit ordinances enforced at the time of the sale of a building;

(12) Program activities to provide support for prefeasibility and feasibility studies for projects that utilize renewable energy and energy efficiency

resource technologies in order to facilitate access to capital and credit for such projects;
(13) Program activities to facilitate and encourage the voluntary use of renewable energy technologies for eligible participants in Federal agency programs, including the Rural Electrification Administration and the Farmers Home Administration; and
(14) In accordance with paragraph (b) of this section, program activities to implement the Energy Technology Commercialization Services Program.

Ineligble uses include:

Sec. 420.18 Expenditure prohibitions and limitations.
(a) No financial assistance provided to a State under this part shall be used:
(1) For construction, such as construction of mass transit systems and exclusive bus lanes, or for construction or repair of buildings or structures;
(2) To purchase land, a building or structure or any interest therein;
(3) To subsidize fares for public transportation;
(4) To subsidize utility rate demonstrations or State tax credits for energy conservation measures or renewable energy measures; or
(5) To conduct, or purchase equipment to conduct, research, development or demonstration of energy efficiency or renewable energy techniques and technologies not commercially available.
(b) No more than 20 percent of the financial assistance awarded to the State for this program shall be used to purchase office supplies, library materials, or other equipment whose purchase is not otherwise prohibited by this section. Nothing in this paragraph shall be read to apply this 20 percent limitation to petroleum violation escrow funds used under this part.
(c) Demonstrations of commercially available energy efficiency or renewable energy techniques and technologies are permitted, and are not subject to the prohibitions of Sec. 420.18(a)(1), or to the limitation on equipment purchases of Sec. 420.18(b).
(d) A State may use regular or revolving loan mechanisms to fund SEP services which are consistent with this part and which are included in the State's approved SEP plan. The State may use loan repayments and any interest on the loan funds only for activities which are consistent with this part and which are included in the State's approved SEP plan.
(e) A State may use funds under this part for the purchase and installation of equipment and materials for energy efficiency measures and renewable energy measures, including reasonable design costs, subject to the following terms and conditions:
(1) Such use must be included in the State's approved plan and, if funded by petroleum violation escrow funds, must be consistent with any judicial or administrative terms and conditions imposed upon State use of such funds;
(2) A State may use for these purposes no more than 50 percent of all funds

allocated by the State to SEP in a given year, regardless of source, except that this limitation shall not include regular and revolving loan programs funded with petroleum violation escrow funds, and is subject to waiver by DOE for good cause. Loan documents shall ensure repayment of principal and interest within a reasonable period of time, and shall not include provisions of loan forgiveness.

(3) Buildings owned or leased by the United States are not eligible for energy efficiency measures or renewable energy measures under this paragraph;

(4) Funds must be used to supplement and no funds may be used to supplant weatherization activities under the Weatherization Assistance Program for Low-Income Persons, under 10 CFR part 440;

(5) Subject to paragraph (f) of this section, a State may use a variety of financial incentives to fund purchases and installation of materials and equipment under this paragraph including, but not limited to, regular loans, revolving loans, loan buy-downs, performance contracting, rebates and grants.

(f) The following mechanisms are not allowed for funding the purchase and installation of materials and equipment under this paragraph:

(1) Rebates for more than 50 percent of the total cost of purchasing and installing materials and equipment (States shall set appropriate restrictions and limits to ensure the most efficient use of rebates); and

(2) Loan guarantees. [61 FR 35895, July 8, 1996, as amended at 62 FR 26727, May 14, 1997]